

Resource Management



1st Quarter 2007

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This medium is approved for official dissemination of material designed to keep individuals within the Army knowledgeable of current and emerging developments within their areas of expertise for the purpose of professional development.

By order of the Secretary
of the Army:

Peter J. Schoomaker

GENERAL, UNITED STATES ARMY
CHIEF OF STAFF

ADMINISTRATIVE ASSISTANT TO
THE SECRETARY OF THE ARMY

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FINANCIAL MANAGEMENT
AND COMPTROLLER

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THE PENTAGON

Wilett Bunton

Resource Management

1st Quarter 2007

“Professional Development”

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BC36 Proponency Corner



*Lieutenant General David F. Melcher,
Military Deputy for Budget,
Assistant Secretary of the Army
(Financial Management and
Comptroller)*

Greetings, Financial Management community! I am excited to join the ranks of this elite group of military professionals. As the Military Deputy for Budget, I look forward to meeting the many outstanding Soldiers and DA civilians who accomplish the intricate financial management mission for our Army.

As the proponency for Finance Branch (Branch Code 44) and Comptroller Functional Area (FA45)

officers (soon to be Financial Management Branch (BC36A) personnel), I intend to ensure that the professional development program for this career field meets the demands of our Army's diverse missions. To help facilitate this goal, I am initiating a new feature article in this publication entitled "BC36 Proponency Corner". I will use this venue as a means to communicate BC36 updates to the FM military community. Army Budget Director Major General Edgar Stanton, who also serves as the executive agent for BC36, the ASA (FM&C) proponency staff and the U.S. Army Financial Management School also will contribute to keeping all financial management officers informed as we move forward.

The merging of BC 44 and FA45, distinct but related skill sets, is the most noteworthy aspect of our current financial management evolution. The introduction of an Army Financial Management officer follows the chief's vision of creating "pentathletes": creative, flexible, multi-skilled, broadly knowledgeable Soldiers. Today's financial managers are responsible for handling the largest budget in the Army's history – more than \$200 billion, counting base and supplemental appropriations.

We are simultaneously funding war operations, transformation, modularization, quality-of-life improvements that are absolutely necessary to supporting an all-volunteer force, the global repositioning of U.S. forces, BRAC and a growing end strength. And those are only the major activity categories. Now more than ever, managing Army money requires extraordinary aptitude and expertise, dedication to protecting the taxpayers' dollar and devotion to doing what is best for the Soldier on the front lines and at the home garrison. Combining two career tracks, with two complementary and highly needed sets of capabilities, into BC36 will give the Army the financial management dexterity it needs to handle today's extremely complex environment – and whatever may come our way in the future..

We will officially stand up our BC36 cadre on 1 October 2008. Financial management units will finish their conversion by 1 October 2010. As we move toward these objectives, we will continue to refine our business practices (finance and resource management operations) and training. Additionally, MG Stanton and I are taking active roles in the professional development and assignments of our officers to ensure that we are employing the most effective means for growing future senior FM military leaders.

This change to how we perceive and execute financial management was reflected in last month's renaming of the schoolhouse. What was the U.S. Army Finance School is now the U.S. Army Financial Management School. The change is small but emblematic of our new holistic approach to developing the Army's financial managers and handling our money.



*Major General Edgar E. Stanton
III, Director of the Army Budget
(Financial Management and
Comptroller)*

The schoolhouse is the primary means for financial managers to continue their education. Maj. Gen. Stanton, Assistant Secretary (Financial Management and Comptroller) Nelson Ford and I strongly believe that it is vitally important for all of our Soldiers to attend advanced individual training and to participate in the non-commissioned officer and officer education systems. Having top-notch financial management skills and knowledge is critical to ensuring that the Army is getting the biggest bang for its buck and that we are carefully shepherding those dollars supplied to us by the American taxpayer. The schoolhouse also participates in the Army's lessons learned program, helping leadership to track mission needs and thereby ensure that we have the right funding, programs, technology and regulations in place to support Soldiers and commanders.

As pentathletes, Army financial managers are not just men and women sitting behind desks, filling out spreadsheets. All financial managers are, first and foremost, Soldiers trained and prepared to handle the rigors of war. And you are on the front lines of the current fight, providing critical assistance to fellow Soldiers and commanders, and helping to manage billions of dollars. You run military pay operations, cashing checks for Soldiers and making sure they are being paid properly. You support procurement and contracting activities, including the program to equip Iraqi military and security forces, in a challenging environment that bears little resemblance to the stateside one in which you were trained. You handle the money for the Overseas Humanitarian, Disaster and Civic Aid program in Afghanistan and administer one of the most important trust-building and reconstruction efforts in Iraq, the Commander's Emergency Response Program. Financial managers also helped to establish the enormously successful Micro Rewards Program in Iraq, which allows company commanders to pay on-the-spot cash awards for information regarding IEDs, weapons caches and other threats to our troops and Iraqi civilians. And our FA45s have



From Left to Right: Major General Mitchell Stevenson, Combined Arms Support Command (CASCOM) Commander; The Honorable Mr. Nelson M. Ford, Assistant Secretary of the Army for Financial Management and Comptroller; Major General Edgar E. Stanton III, Director of the Army Budget; Lieutenant General David F. Melcher, Military Deputy for Budget and Mr. John J. Argodale, Deputy Assistant Secretary of the Army for Financial Operations.

been tasked to keep track of it all, certifying the vast quantity of funding flowing through the theater. The OIF/OEF financial management mission has proven to be enormous and somewhat daunting, but you have approached it with vigor, resourcefulness and imagination.

Feedback from the Financial Management community is very important. All of us in the ASA (FM&C) leadership welcome your suggestions and comments and, if there are topics you would like covered in future issues, please let us know: proponency@hqda.army.mil.

Thank you for this opportunity to serve with you. It is truly an honor to be a part of the financial management team at this seminal moment in Army history.

Army Comptroller Civilian Career Program

Functional Chief Representative – Ms. Terry L. Placek

Comptroller Civilian Professional Development

What is my role as the Functional Chief Representative (FCR) for the Army Comptroller Civilian Career Program (CP 11)? The CP 11 FCR provides career program leadership and establishes policies for CP 11 career management; education and training; and Department of Army Intern programs. As a principal advisor to the Assistant Secretary of the Army for Financial Management and Comptroller and the Military Deputy for Budget, the FCR represents the comptroller community on the Career Program Policy Committee, is a member of the Army Civilian Advisory Board, chairs the CP 11 Executive Council determines annual CP 11 professional development requirements and secures Army Civilian Training, Education, and Development System funding. The FCR's most vital responsibility is to ensure continuous availability of relevant and quality professional development, education and training for all CP 11 careerists.

Comptroller civilian professional development is crucial to transforming the current business environment of managing financial resources and is required to stay competitive for promotions. Comptroller civilians are highly encouraged to develop a personal roadmap of professional development and educational goals. Subsequent achievement of these goals not only enhances financial management skills and competencies, but also increases personal development, maximizes performance and improves employee satisfaction.

Life long learning provides solutions for day-to-day workplace problems by provid-

ing fresh approaches to business practices and management challenges. Functional skills' training enhances proficiency in a variety of relevant subject areas. As financial management professionals, both education and training are crucial to your continued professional growth.

The Chief of Staff of the Army, General Schoomaker describes the Army "pentathlete" as a person who is highly adaptive and highly skilled in his or her chosen profession but is also able to perform other functions...a person who is not defined very narrowly by a given skill or occupation...a person who can perform multiple positions as the need arises...

I urge all of you to engage in the numerous professional development opportunities available in CP 11 and take appropriate action to realize your full potential to become an Army "pentathlete" today.

Several key initiatives and changes in Army civilian leader and professional development are:

CES—Civilian Leader Development—Civilian Education System

Army civilians are assuming a greater number of leadership roles and responsibilities. CES provides enhanced training and education opportunities for Army civilian leaders; comparable to that provided to officers, warrant officers, and noncommissioned officers. The CES leader development program includes four levels of leader development education: the Foundation, Basic, Intermediate, and Advanced Course. The CES learning strategy is progressive and sequential – each course providing leader training for the current role and

building blocks for the next – and consists of distributed learning and resident instruction. Courses are based on leadership competencies from the Office of Personnel Management and FM 6-22, Army Leadership. A fully implemented CES will meet the Secretary of the Army's vision to develop leaders who are multi-skilled and possess the attributes of the 21st century Army Pentathlete.

RETAL—Review of Education, Training, and Assignment for Leaders Task Force

In January 2006, the Secretary and Chief of Staff of the Army launched the Review of Education, Training, and Assignment for Leaders Task Force (RETAL). RETAL's charge was to determine how to develop Military and Civilian leaders. The RETAL Civilian Task Force examined the education, training, and assignment of Army leaders with a goal to develop the "pentathlete" civilian leader. Professional development of the civilian "pentathlete" was the central focus of the initiative. The "pentathlete" is an individual who is a strategic thinker and decision-maker capable of managing, leading, and changing complex organizations. An effective communicator, the "pentathlete" can effectively represent the Army at home, abroad and across diverse cultures. Transforming the development of civilian Army leaders will require a major cultural change. Approaching this challenge as an enterprise issue is critical to impacting the systems that currently restrict the diverse and significant contributions of the Army's Civilian Corps. RETAL.....is the critical first step.



United States Army Financial Management School Re-Designation

By Major Ozzie Arroyo

Beneath the pleasantly cold and sunny skies of Fort Jackson, South Carolina, the United States Army Finance School's re-designation to the United States Army Financial Management School on January 26, 2007 at the United States Army Soldier Support Institute (USASSI) Auditorium proved to be history in the making for our financial management community. This non-stop day began with The Honorable Mr. Nelson M. Ford, Assistant Secretary of the Army for Financial Management and Comptroller accompanied by Lieutenant General David F. Melcher, Military Deputy for Budget; Major General Edgar E. Stanton III, Director for Military Budget; and Mr. John J. Argodale, Deputy Assistant Secretary of the Army for Financial Operations visiting the Fort Jackson Forward

Operating Base (FOB) training facility and attending the inaugural Functional Area 45 (Comptroller) Intermediate Level Education (ILE) graduation.

Other distinguished guests that were present for this event were Major General Mitchell Stevenson, Combined Arms Support Command (CASCOM) Commander; Brigadier General Mark A. Bellini, United States Army Quartermaster Center and School Commander; and Colonel Rose Walker, USASSI Commander. Colonel (Retired) Morgan Denny, Honorary Colonel of the Finance Regiment; Command Sergeant Major (Retired) Jesse T. Sablan, Honorary Sergeant Major of the Finance Regiment; and Command Sergeant Major (Retired) Robert Johns, first Command Sergeant Major of what was then known as the United States Army Finance School. Staff and faculty from the

Financial Management School; Financial Management Soldiers from the Captains' Career Course, Non-Commissioned Officer Academy, and Advanced Individual Training (AIT); and USASSI staff and faculty filled the entire auditorium.

The official party consisted of The Honorable Mr. Nelson M. Ford; Colonel Billy R. Smith, Commandant of the United States Army Financial Management School and Command Sergeant Major Billy Pontoja, Command Sergeant Major of the United States Army Financial Management School. Colonel Smith praised all of our deployed Soldiers for their selfless service to our nation and Army. He described how our financial management community is transforming to support our Army and nation, by providing modular, capabilities based formation and by increasing responsiveness to our combatant commanders. Colonel Smith stated "we are developing

agile and adaptive leaders and Soldiers, providing doctrine, education, training, and financial systems to support the global war on terrorism, joint operations, and expeditionary mindset.” He also briefly described the various finance, resource management core competencies, and battlefield functions.

The Honorable Mr. Nelson M. Ford began his remarks by personally congratulating the Functional Area 45 (Comptroller) Intermediate Level Education students

Major Pantoja were assisted by Karen Williams – United States Army Financial Management School Management Analyst, Colonel (Retired) Morgan Denny, and Command Sergeant Major (Retired) Jesse T. Sablan.

The War Department established The Army Finance School in 1 September 1920, which consisted of one officer, 1 warrant officer, 6 non-commissioned officers, and 3 enlisted Soldiers. On 7 January 1942, the school moved to Fort Benjamin

Center of Military History approved the re-designation of the United States Army Finance School to the United States Army Financial Management School.

Re-designation of the United States Army Finance School to United States Army Financial Management School recognizes Soldiers as the centerpiece of financial management transformation. The changes in the Army’s force structure require a multi-functional Soldier proficient in the warrior tasks and competent in financial management skills sets. Building financial management capability for a changing Army requires financial management support that is both tailorable and scalable in its ability to rapidly task-organize an independent force for a specific mission. The United States Army Financial Management School is leading the way in shaping the future of financial management ensuring Doctrine, Organization, Training, Materiel, Leadership, Personnel, Facilities (DOTML-PF) domains meet the challenges of our current contemporary operating environment.

About the Author

Major Ozzie Arroyo is currently assigned as the Chief of Proponency, United States Army Financial Management School.

The United States Army Financial Management School is leading the way in shaping the future of financial management.

who graduated earlier during the day. He explained rededicating the United States Army Finance School to United States Army Financial Management School was symbolic of recent changes the Army has made in the career field. Mr. Ford illustrated how the Army in the past 20 years has gone through growth and expansion. “Every dollar is an Army dollar and everyone in our financial management community has to give it its best and highest use. In closing he said, “The school house is the primary means of Financial Managers to continue their education. It is vitally important that all our Soldiers attend Advanced Individual Training and participate in the non-commissioned officer and officer education programs. Having top-notch financial management skills and knowledge is an enormous combat multiplier.”

Private Travis Waters, one of the youngest Finance Advanced Individual Training Soldiers, joined The Honorable Mr. Ford, Colonel Smith, and Command Sergeant Major Pantoja in the re-designation ceremony. A reception and cake cutting ceremony followed shortly after the ceremony at the Soldier Support Institute Library. Colonel Smith and Command Sergeant

Harrison, Indiana and established the Finance Replacement Training Center on 10 January 1942. On 5 August 1942, the Finance Officer Candidate School and Finance Officer Training School transferred to Duke University, North Carolina. The Advanced Individual Training (AIT) Enlisted School moved to Wake Forest College, North Carolina on 18 August 1942, and returned to Fort Benjamin Harrison, Indiana on 13 November 1943. The Finance Replacement Training Center was discontinued. On June 1944, Finance Officer Candidate School and Finance Officer Training School returned from Duke University, North Carolina to Fort Benjamin Harrison, Indiana. Thereafter, the United States Army Finance School conducted all training. The Finance School moved from Fort Benjamin Harrison, Indiana to St. Louis, Missouri in July 1946, returning to Fort Benjamin Harrison, Indiana on March 1951. Thereafter, the United States Army Finance School conducted all training. The United States Army Finance School relocated from Fort Benjamin Harrison, Indiana to Fort Jackson, South Carolina in 1995. On 31 October 2006, The United States Army

Management Controls and Accountability

By Mr. Jorge F. Roca

The traditional approach to control compares actual results against a standard. However, strategic control tracks a strategy as it is being implemented, detecting problems or changes in its underlying premises, and making necessary adjustments. Managers responsible for the success of a strategy typically are concerned with the following questions:

Are we moving in the proper direction?

•

Are key things falling into place?

•

Are our assumptions about major trends and changes correct?

•

Are we doing the critical things that need to be done?

•

Should we adjust or abort the strategy?

•

How are we performing?

•

Are objectives and schedules being met?

•

Are costs, revenues, and cash flows matching projections?

•

Do we need to make operational changes?

Rapid, accelerating global changes have made continuous improvement another aspect of strategic control in many organizations to include the Department of Defense. The control of strategy can be characterized as a form of “steering control.” Ordinarily, a good deal of time elapses between the initial implementation of a strategy and achievement of its intended results. During that time, investments are made and numerous projects and actions are undertaken to implement the strategy. Also, during that time, changes are taking place in both the environment and organization’s internal situation. Strategic controls are necessary to steer the organization through these events. There are four types of strategic control:

Premise control is designed to check systematically and continuously whether the premises on which the strategy is based are still valid.

Implementation control is designed to assess whether the overall strategy should be changed in light of the results associated with the incremental actions that implement the overall strategy.

Strategic surveillance is designed to monitor a broad range of events inside and outside the organization that are likely to affect the course of its strategy.

Special alert control is the thorough, and often rapid, reconsideration of the organization’s strategy because of a sudden, unexpected event.

Operational control systems guide, monitor, and evaluate progress in meeting short-term objectives. While strategic controls attempt to steer the organization over an extended period (usually five years or more), operational controls provide post-action evaluation and control over short periods – usually one month to one year. To be effective, operational control systems must take four steps common to all post action controls: set standards of performance; measure actual performance; identify deviations from standards set; and initiate corrective action.

There are five key ingredients to resolving material weaknesses identified within the organization’s internal controls: agree

that there is a problem; develop plan of action; apply adequate resources; monitor and validate.

The budgetary process is the forerunner of strategic planning. A budget is a resource allocation plan that helps managers coordinate operations and facilitates managerial control of performance. Budgets themselves do not control anything. They simply set standards against which action can be measured. They also provide a basis for negotiating short-term resource requirements to implement strategy at the operating level.

The proper stewardship of Federal resources is a fundamental responsibility of agency managers and staff. All leaders, military and civilian alike must ensure that government resources are used efficiently and effectively to achieve intended program results. To support results-oriented management, the Government Performance and Results Act (GPRA, P.L. 103-62) requires agencies to develop strategic plans, set performance goals, and report annually on actual performance compared to goals. In addition, The Federal Managers’ Financial Integrity Act (P.L. 97-255) establishes specific requirements with regard to management controls. The agency head must establish controls that ensure obligations and costs comply with applicable laws; assets are safeguarded against waste, loss, unauthorized use or misappropriation; and revenues and expenditures are properly recorded and accounted. The agency head must evaluate and report annually on the control and financial systems that protect the integrity of Federal programs.

In order to comply with new internal control requirements contained in the Sarbanes-Oxley Act of 2002, revisions to the OMB Circular A-123 include requirements to report the agency’s statement of assurance of Internal Control over Financial Reporting (ICOFR) beginning with FY-06. Managers’ Internal Control program procedures are provided in Department of Defense Instruction Number 5010.40 and further detailed guidance for the preparation of the annual statement of assurance is provided in the Under Secretary of Defense

(Comptroller) memorandum Subject: Fiscal Year (FY) 2007 guidance for the preparation of the statement of assurance, dated November 14, 2006.

As the Director, Management Services Directorate within the Office of the Assistant Secretary of the Army (Financial Management and Comptroller), I am responsible for the Army’s Managers’ Internal Control (MIC) Program, to include policy development, program oversight, training, monitoring and ensuring timely resolution of reported material weaknesses, and preparation of the annual statement of assurance.

Many of the steps and processes mentioned throughout this article are inherent to military doctrine, training and operational mission accomplishment, as well as to Federal Government business processes. While, some systems have failed to keep pace with the changing environment and unique requirements that accompany a Nation at war; other systems are keeping up with the new demands and are ready for future requirements.

In partnership with the Army’s senior leadership, we will improve the Internal Controls Program, through improved communication, leveraging training, improved documentation, and benchmarking best practices with other military departments, government agencies and industry. Viable and reliable controls will ensure the Army maximizes efficiency of resource management in all processes and requirements in support of the Army’s Strategic objectives.

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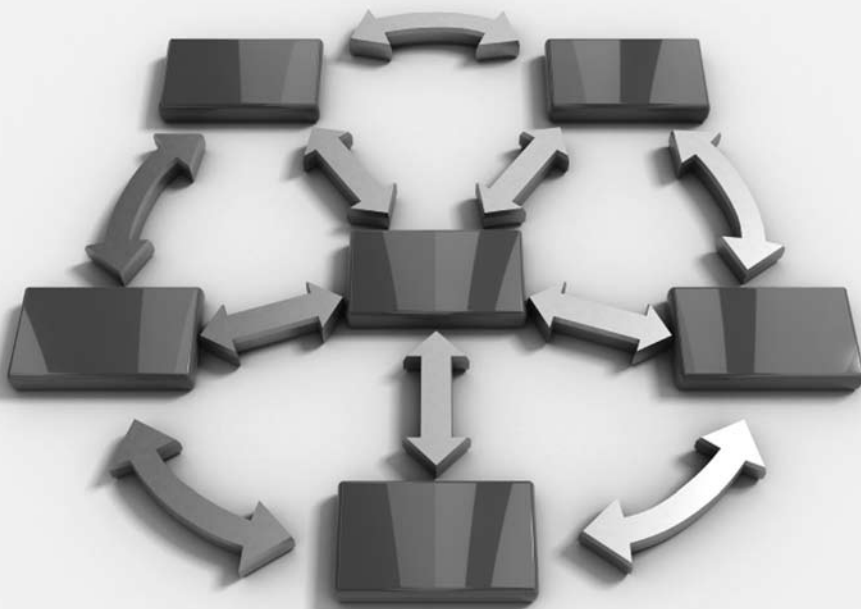
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About the Author:

Mr. Jorge F. Roca is the Director, Management Services Directorate, in the Office of the Deputy Assistant Secretary of the Army (Financial Operations).

Achieving Objectives through Properly Installed and Monitored Internal Controls

by Ms. Michelle C. Young (Cummings)



The purpose of internal controls is to enhance the probability that management objectives will be achieved. As stewards of taxpayer dollars, federal managers benefit from the proper implementation of internal controls due to the possibility of prevention, early detection, and timely correction of deficiencies. Failure to implement a good system of controls could lead to mismanagement of funds, adverse audit reports, negative media attention, or fraud.

The implementation of internal controls is especially important since the enactment of the Federal Managers' Integrity Act of 1982, which requires the head of each executive agency to establish management controls that address the reliability and integrity of financial and operational information; the effectiveness and efficiency of operations; the safeguarding of assets; as well as compliance with laws, regulations, and contracts (OMB, 1982). In addition, the U.S. Foreign Corrupt Practices Act of 1977 states that "internal accounting controls shall be examined and, if material weaknesses are found, controls must be strengthened or additional ones installed" (Sawyer's, 2003, p. 87).

A Lesson in Poor Controls

A good example of poor controls over a procurement operation is found in the case of Boeing and its KC-767A military refueling tanker contract with the Department of the Air Force. Questions began to arise in May 2003 after The Boeing Company won a \$16-billion contract from the Air Force to lease 100 modified 767 jetliners for use as refueling tankers. Opponents of this deal argued that the cost of the lease far exceeded the cost to purchase the planes outright (AP, 2003). Further suspicion arose after Air Force acquisitions officer, Darleen Druyen, left the military and joined the Boeing team. She later admitted to favoring the company on contracts. Because of this, she and Boeing Chief Financial Officer, Mike Sears went to jail and the original tanker contract was canceled (Gates, 2005).

In an initial Department of Defense Inspector General's (DODIG) report dated March 29, 2004, it found that the Air Force "demonstrated neither best business practices nor prudent acquisition procedures to provide sufficient accountability for the expenditure of \$23.5 billion for the KC-767A tanker program" (DODIG, 2004). In a subsequent report dated May 13, 2005, the DODIG found that the initial contract had been tailored to fit Boeing's KC-767A aircraft and that the need to replace the tankers had been exaggerated" (DODIG, 2005).

Management Accountability and Controls Defined

Management accountability, as stated in OMB Circular A-123, "is the expectation that managers are responsible for the quality and timeliness of program performance, increasing productivity, controlling costs and mitigating adverse aspects of agency operations, and assuring that programs are

within the Army organizational structure. Performance agreements are required from all levels of management that include an explicit statement of management control responsibility. Head of reporting agencies and assessable unit managers are responsible for reporting material weaknesses in key management controls. The chain of command should ensure prompt and full disclosure of all control weaknesses (Army Reg. 11-2, 2-1d-f).

Assessable unit managers are designated by the head of the reporting agency and are charged with providing the leadership and support to ensure that management controls are in place and are operating effectively. These managers are responsible for installing controls, maintaining them, and modifying those that need to be changed (Sawyer's, 2003). In addition to this, they



management control evaluations are conducted according to their management control program and in conjunction with MACOM guidance. They must also ensure that management con-

trol responsibilities are specifically stated in performance agreements all the way down the chain of command. The installation commanders are responsible for the implementation and effectiveness of management controls on their installation.

To effectively evaluate the adequacy of controls and identify deficiencies, installation commanders and assessable unit managers can request assistance from the Internal Review and Audit Compliance (IRAC) Office. Internal review evaluators can provide technical advice, assistance, and consultation on management controls. As independent advisors, internal review evaluators can offer a fresh look at overall organizational operations and identify any reportable material weaknesses. The IRAC office may also be helpful in establishing an action plan to correct any other deficiencies that may exist (Army Reg. 11-2, 1-17a-c).

In addition to the formal responsibilities of managers and evaluators, each employee is responsible for the control system as well. The people that are closest to an operation may know the controls that would best be applied in that operation, or in the reverse, may be the most knowledgeable as to manipulating the system for their own benefit. (This is why supervision is an important control.) Each employee should be viewed as a valuable part of an organization that has something to contribute in the control process. Accordingly, employees should be individually rewarded or held accountable for controls that are implemented and maintained within their area of concern.

The most cost effective control that an organization can put into place is a preventive control.

managed with integrity and in compliance with applicable law."

Management controls, as stated in OMB Circular A-123, "are the organization, policies, and procedures used to reasonably ensure that (i) programs achieve their intended results; (ii) resources are used consistent with agency mission; (iii) programs and resources are protected from waste, fraud, and mismanagement; (iv) laws and regulations are followed; and (v) reliable and timely information is obtained, maintained, reported, and used for decision making."

Responsibilities

Army Regulation 11-2 details the responsibilities for each level of management

must also ensure proper management control training of their subordinates. Further, they must establish a management control plan (MCP) to describe how controls will be evaluated and must ensure that control evaluations are conducted in accordance with the MCP. All documentation related to the evaluations should be kept on file and subject to audit. Any material weaknesses that are discovered must be reported through the chain of command. If any material weaknesses exist, a plan to correct the deficiencies must be implemented and progress must be tracked (Army Reg. 11-2, 1-14a-d).

Installation commanders are responsible for ensuring that the required

Components of Internal Control

The Committee of Supporting Organizations of the Treadway Commission (COSO) Model of internal control is a recognized model used by internal auditors worldwide as a tool to evaluate the adequacy of internal controls. This model consists of five distinct components: control environment, risk assessment, control activities, information and communication, and monitoring.

Control Environment

This component is based on the organization's culture, values, and leadership ethics. It also includes organizational structure and

management's philosophy and policies. It is important to note that management sets the "ethical tone" for the entire organization.

Risk Assessment

This component involves identifying risks within the organization and evaluating those risks to determine vulnerabilities.

Control Activities

This component includes activities that are critical to the concept of internal control. These activities include responsibilities and authorities, documentation, separation of duties, approvals, honest and competent personnel, reconciliation, internal check, and internal auditing.

Information and Communication

This component is an important part of the management process. Managers are unable to make good decisions if information is not timely or accurate. Communication flow must be uninhibited in order for controls to be effectively implemented and subsequently evaluated.

Monitoring

No control will be effective without proper monitoring and evaluation. This component; however, is only as effective as the communication flow and accuracy of information available.

(Sawyer's, 2003)

Types of Controls

The most cost effective control that an organization can put into place is a preventive control. This type of control is put into place to prevent any undesirable events before they occur. A preventive control can only be implemented if a process or operation has been analyzed and a "potential" problem has been discovered.

If a problem cannot be detected before a negative event occurs, a detective control will be needed to identify the undesirable outcomes when they do happen. This type of control takes more time and effort thus, the costs related to detective controls are higher. The purpose of detective controls are to constantly compare what is with what should be, communicate

shortcomings to management, and permit managers to take needed corrective action (Sawyers, 2003). Lastly, if a deficiency has been detected, it needs to be corrected. A corrective control is taken to reverse the undesirable outcomes and ensure that they are not repeated. It is important to note that all other controls are worthless if deficiencies remain uncorrected.

Characteristics of Controls

Systems of control can be effectively evaluated if they meet certain criteria. According to Sawyer's Internal Auditing, attributes of an acceptable system include:

a. Timeliness

Adequate controls should detect actual or potential deficiencies early enough to limit cost exposure.

b. Economy

Adequate controls will provide "reasonable assurance" of achieving intended results at the lowest cost and highest benefits.

c. Accountability

Managers need adequate controls in place to meet their responsibilities.

d. Placement

Controls should be put into place where they will be most effective. Managers must establish priorities and ensure that an operation's "risk areas" have been adequately addressed. Controls should not be overburdening.

e. Flexibility

As time passes, circumstances continue to change. Managers need to be flexible and

adjust operations and controls to accommodate the changes that occur.

f. Cause Identification

Managers can take effective corrective action related to a discovered deficiency if they not only identify the problem but also the root cause.

g. Appropriateness

Controls should meet the needs of managers. They should respond to significant deviations and help the organization to meet its goals and objectives.

In addition to these characteristics of controls, there may be problems associated with controls. First, there is normally a monetary and human cost associated with the implementation, maintenance and monitoring of controls. Because of this,

provide adequate instruction but not so much detail that it stifles the use of independent judgment. The best form of control over personnel is supervision therefore, managers should use care in hiring and training employees to ensure that employ-

of sound controls, managers can effectively prevent or detect deficiencies and will ensure compliance with laws, regulations, and federal statutes.

A system of solid internal controls is essential to the survival of the organization. Without a good control system, opportunities for the mismanagement of funds, adverse audit reports leading to bad press, or outright fraud exist.

it is helpful to conduct a cost vs. benefit analysis before making any control adjustments. Second, controls must be periodically evaluated for continued relevance. Third, it is possible for controls to be perceived as unreasonable thus, stifle initiative and creativity. Fourth, the attitudes of all employees involved must be taken into account when designing and implementing controls. The best way to do this is to ensure freely flowing communication up and down the chain of command. Lastly, organizations must remember that one size DOES NOT fit all.

Means of Achieving Control

There are many effective ways in which an organization can achieve adequate control over its operations. Some of the operational means by which managers can maintain control deal with the organization, its policies, its procedures, its personnel, its accounting and budgeting processes, as well as reporting. For example, the organization can be thought of as a means of control due to its intentional structuring of roles allowing the organization to achieve its objectives efficiently and economically. Policies should be used to require, guide, or restrict action and should always be clearly communicated to all officials and appropriate members of an organization. The means to carry out required activities according to policy, or procedures, should be detailed enough to

ees share values and ethics that are compatible with the organization. Financial control is achieved through the organization's accounting and budgeting processes. Of all the means to achieve control, the greatest decision-making tools are found in organizational reports such as the annual statement of assurance, which details the status of management controls; applicable internal or external audit reports, which may indicate control weaknesses; and financial reports that are required by regulations and statutes.

Concluding Remarks


A system of solid internal controls is essential to the survival of the organization. Without a good control system, opportunities for the mismanagement of funds, adverse audit reports leading to bad press, or outright fraud exist. OMB Circular A-123 requires that, "all agency managers shall incorporate basic management controls in the strategies, plans, guidance, and procedures that govern their programs and operations" (1995). In addition to this, Army Regulation 11-2 states that these management controls should provide "reasonable assurance that the objectives of the systems will be accomplished" (1994). Managers are required to report any material weaknesses that exist within their organization, any cases of fraud that are discovered, and a plan to correct these deficiencies. Through the implementation

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Effectively Employing Electronics Records Management (eRM)

by Mr. Jay Marwaha

Records Management is commonly defined as creation, use, and disposition activities associated with “recorded information, in any form, including data in computer systems, created or received and maintained by an organization or person in the transaction of business or the conduct of affairs and kept as evidence of such activity.” Government Agencies, particularly intelligence organizations, must take responsibility for their record tracking as mandated by Title 44 of the United States Code. This article discusses a proven approach to Records Management that seamlessly integrates efficient and effective Records Management into the daily work routines of agency employees. This approach has successfully introduced Records Management in a holistic and unobtrusive manner.

Issues

The Interagency Committee on Government Information recently completed

a study regarding current challenges to effective management, including Records Management practices. The report outlined four electronic Records Management obstacles to be published in the report:

- Records and information are not managed as business assets.
- Records Management is not viewed as critical; it’s seen as an afterthought and is often not incorporated into the business processes.
- There is marginal support for Records Management, which has led to a lack of training and tools.
- Records Management and information technology disciplines are poorly integrated within agencies and the two sides often don’t speak each other’s language.

Until recently, records were created primarily in hard copy and were managed by individuals using manual processes. These processes were not always standardized across the organization. Even with stan-

dard processes, records managers across the organization weren’t fully versed in these processes and had their own way of managing records. In general, standard processes weren’t uniformly applied to Record Management activities.

Many events in recent years, such as the electronic creation of records and the Freedom of Information Act (FOIA), are forcing organizations to revisit their Record Management methodologies. Retrieval and dissemination of records is an essential part of daily operations for intelligence organizations. Organizations are required to provide information on demand (FOIA), and are requested to do so daily. The backlog of requests and the inability to locate information do not constitute viable reasons for not providing the requested information in the specified timeframe. And given that the information provided upon request could be made public once released, the agency must ensure the information’s authenticity, reliability, integrity, and usability.

Repercussions of improperly managing records, including the creation, dissemination and use, and disposal, can be severe and can include liability claims.

Solution

The onset of electronic records creation has caused a shift in records management methodologies from manual based processes to a desire for automation. Electronic Records Management (eRM) aims to enable organizations to electronically manage, task, store, and track electronic records submitted as official records that comply with the General Records Schedule and the National Archives and Records Administration standards. An optimal eRM solution will provide for decentralized execution of records management activities while also facilitating centralized management oversight and governance.

A successful approach to an eRM solution involves integrating specific process, technology, and people/organization related activities, while conducting risk, performance, and program management throughout the project lifecycle. A comprehensive approach optimally aligns process, technology, and people/organization considerations with the eRM solution and minimizes the risk of not identifying necessary activities during the project lifecycle. This approach consists of five phases detailed in Exhibit 1: Baseline, Blueprinting, Development, Implementation, and Evaluation.

Approach Description

The Baseline phase assesses the current or as-is state in terms of current Record Management processes, current technologies that exist within the organization, and the current communications and training mechanisms available. This phase also examines the

current organizational structure of records managers. Activities conducted during the baseline phase include stakeholder analysis, in terms of process and organization/people, analysis of current processes, systems, and workforce, existing communications and training mechanisms, and assessment of potential risks. The baseline phase takes approximately eight weeks to complete.

The Blueprint phase focuses on the future design of processes, technologies, and people/organization with the eRM solution. Blueprinting includes several design related activities. From a process perspective, tasks include designing the to-be processes, determining future performance and risk management, and understanding the functional requirements for the future system. The technology activities include designing the future architecture and server configuration details, as well as assessing the feasibility of those requirements given the current state of the systems. Finally, workforce

Exhibit 1: Integrated Approach to electronic Records Management (eRM)

	Baseline	Blueprint	Develop	Implement	Evaluate
Process Activities	<ul style="list-style-type: none"> Stakeholder analysis Current state analysis Risk assessment Current performance management 	<ul style="list-style-type: none"> Functional requirements analysis Future state processes Future performance management Risk management plan 	<ul style="list-style-type: none"> Operational requirements Gap analysis and plan to close Integration of future processes with system functionality 	<ul style="list-style-type: none"> Implementation plan Deployment requirements Feedback mechanisms 	<ul style="list-style-type: none"> Feedback analysis Improvement needs Lessons learned to foster continuous improvement
Technology Activities	<ul style="list-style-type: none"> System architecture requirements Server specifications and configuration requirements 	<ul style="list-style-type: none"> Future system architecture Future server and configuration details Feasibility assessment 	<ul style="list-style-type: none"> System configuration Test system Integration of future processes with system functionality 	<ul style="list-style-type: none"> Deploy system Security certification and approval On-site testing 	<ul style="list-style-type: none"> Feedback analysis Correction/Improvement needs
Organization/ People Activities	<ul style="list-style-type: none"> Communications and training stakeholder analysis Current state of communications and training Current state of workforce 	<ul style="list-style-type: none"> Workforce planning Communications plan Training plan Change management plan 	<ul style="list-style-type: none"> Feedback mechanism Training and communications materials Execution of workforce planning 	<ul style="list-style-type: none"> Implementation plans Implementation plans Communications and application training 	<ul style="list-style-type: none"> Feedback analysis Improvement needs

Exhibit 2: Critical Success Factors - Do's

Do's

People/Organization

- Plan for and develop formal communications plan to ensure acceptance of change throughout organization
- Obtain leadership support and open championing of the effort to the organization
- Plan and develop formal training plan to equip users with tools to utilize the solution
- Build on core values of the organization

Process

- Ensure that data collection is comprehensive to avoid incomplete analysis

Technology

- Understand technological assumptions and constraints to avoid delays
- Plan for and develop comprehensive testing and evaluation plan and deployment
- Understand existing technology with regard to hardware configuration scalability and maintainability to avoid cost and schedule implications

Project

- Understand business relevance and establish proper scope
- Obtain leadership commitment to timely decision making to avoid schedule delays
- Define functional and technical requirements thoroughly to avoid schedule delays and not strain resources
- Ensure correct team to manage and execute project

technology, and people/organization. The organization will define roles and responsibilities associated with the new Record Management system, implement feedback mechanisms regarding performance, establish timelines and milestones for the new Records Management system, and develop and implement performance measures to gauge project success. Implementation will take approximately six weeks to complete.

Finally, the evaluate phase concentrates on obtaining and analyzing the feedback once the eRM solution is deployed. Necessary corrections or modifications to processes, systems, and people/organization are determined and acted upon at this juncture. The organization will also assess and document "lessons learned" to avoid any project pitfalls in future endeavors. Evaluation will be continuous and on-going. However, the first evaluation period will be 90 days in duration.

Critical Success Factors: Dos And Don'ts

To ensure successful execution of an eRM initiative, it is crucial for the organization's leaders to consider several critical success factors that focus on people/organization, process, technology, and project as depicted in Exhibit 2.

Along with critical success factors, there are also several activities that would derail any successful execution of an eRM initiative. These "don'ts" are portrayed in Exhibit 3, and should be avoided if at all possible.

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Exhibit 3: Critical Success Factors - Don'ts

Don'ts

- Leaders do not project excitement or passion
- Leaders do not commit to effort
- Leaders do not promote buy-in and participation
- Scope is too wide
- "Build it, wait (pray) for them to come"
- Management forces "Conception my mandate" and "membership by direction"
- Team creates a single point of failure
- Management does not demonstrate relevance or purpose to users
- Management does not provide perception of personal and community benefit
- Management provides inadequate collaboration and communications

planning, communications, training, and change management activities comprise blueprinting activities in terms of organization/people. Blueprinting activities should take approximately ten weeks to complete.

The develop phase focuses on operationalizing the design of the future state. This includes assessing the gaps between the as-is and to-be states, and creating plans to close them. Activities also include testing the system in the lab environment,

planning the integration of the to-be processes with the system, determining performance feedback mechanisms, developing training and communications materials, and executing the workforce plan. The develop phase should take eight weeks to complete.

The implementation phase includes activities that enable the organization to execute all activities relating to the new Records Management environment. This includes several tasks with respect to process,

The Potential Benefits of the National Security Personnel System

by Mr. Steve Kreiser



One of the goals of the NSPS is to provide a contemporary payroll system, more capable of fully rewarding DoD employees.

The National Security Personnel System (NSPS) represents the most comprehensive civilian personnel management evolution in the last 30 years. Moreover, it rewards employees by linking pay to performance and thus creates conditions for unwanted workforce attrition, anxiety, and erosion of trust. This article arms those responsible for implementing cultural change with techniques to reduce organizational friction.

The NSPS, as published in the Federal Register, became effective November 28, 2005. Upon its implementation in January 2007, it will arguably present the Department of Defense (DoD) with the most sweeping civilian personnel management changes in the last 30 years. One of the goals of the NSPS is to provide a contemporary payroll system, more capable of fully rewarding DoD employees. It will do this by linking pay to performance. However, while pay-for-performance has worked well in the corporate sector, it has potential to precipitate unwanted attrition, create anxiety within the workforce, and erode employee trust. To avoid these pay-for-performance pitfalls, managers cannot allow themselves to underestimate the benefits of effectively managing cultural change, maintaining effective communication, and fostering employee trust. While these concepts may not appear to be particularly groundbreaking, they have great potential to be underemphasized given managements' competing priorities.

Pay for Performance

As cited in the *Federal Register* (Vol. 70, no. 210, 1 November 2005), the NSPS pay-for-performance concept is designed to effectively recognize and reward employees. Unlike the General Schedule (GS) longevity-based system of pay progression, under the NSPS, employees will progress based on how they perform. The NSPS will do this first by establishing the guiding principle that no employee will receive a base pay or local market supplement increase if his or her performance does not meet or exceed

expectations. Second, NSPS will provide employees with individual pay increases based on performance regardless of time in grade—by demonstrating requisite entry-level competencies or, by meeting or exceeding the performance standards at the full performance level.

Once implemented, performance-based pay criteria will compel DoD employees to cope with a fundamental cultural shift to a more results-oriented, customer-focused environment. Based upon references in the Federal Register, one could infer that the Department of Defense has significant experience in administering pay-for-performance systems and that it is prepared and fully capable of effectively implementing pay-for-performance DoD-wide. The Government Accountability Office's (GAO) analysis, however, suggests that DoD organizations should exercise particular caution and ensure they devote adequate attention to the resultant need to manage cultural change.

GAO's observations in the report intertwined several key concepts to include performance criteria, communications, accountability mechanisms, and transparency within the process to successfully implement pay-for-performance within the Federal government. However, to distinguish the component characteristics of these observations and relate them to what studies or corporate experience prescribe for successful implementation of pay-for-performance, this article addresses them individually as they relate to: corporate culture, communication, and trust.

Corporate Culture

In an August 2004 study conducted by Hewitt Associates (a global outsourcing and consultancy company), 83 percent of companies considered their variable pay plans as only somewhat effective or not effective at accomplishing corporate goals. The main culprit...? According to 91 percent of the survey respondents who characterized their pay plans as "unsuccessful," the reason is a weak pay-for performance culture.

What does this mean to the Department of Defense as it transitions from a "longevity/entitlement," to a performance-based, pay culture? In private industry, those corporations who have successful pay-for-performance strategies cite the need for bold leaders who can be more nimble and more adaptive in an environment of unprecedented cultural change. These needs mirror those employee responsibilities cited in the Federal Register as necessary for the transformation of the DoD civilian workforce—to take more risk, and be more innovative, agile, and accountable than in the past.

Accordingly, just as private industry must realize that cultural transformation may prove to be the biggest hurdle it must overcome to successfully spiral-in performance-pay, so should the Department of Defense. This is a formidable task. Based upon the experience of the chief human resources officer at one of the nation's largest electric utilities, one cannot simply implement a cultural transformation like pay-for-performance overnight. It also cannot be championed by one function (human resources) alone. Rather, it is a slow process that has to involve an organization-wide effort. They consider their effort in that regard to be a continuous process. Though successful, they continue to place an increasing emphasis on pay-for-performance and on holding all employees accountable. DoD is apt to encounter similar experiences and may benefit by exercising equivalent caution and emphasis.

Risk Aversion

A March 2004 study, published in the *Journal of Occupational and Organizational Psychology* suggests that the use of pay-for-performance as a control mechanism—to align employee and organizational interests, address employees' equity and fairness concerns, and lower organizational fixed costs—should take employee risk preferences into account. The study's results provide issues for managers to consider during the spiraling-in of pay-for-performance

Overall, the results of this study indicate the need to carefully examine and consider the diversity of employees' aversion (or lack thereof) to risk. These results are particularly applicable to the Department of Defense. After 30-plus years of the GS pay system and relative job security and predictability—as compared to private industry—one could reasonably presume some tendency toward risk aversion among DoD employees. Risk adverse behaviors among the GS workforce could, if left

performance plans did not discourage OCB for employees who were strongly committed to the organization.

One should expect this to be especially important for the Department of Defense as they embark on the cultural changes associated with pay-for-performance. DoD employees—especially, those who feel threatened by performance pay and who tend to display little OCB—may require extra attention to ensure they understand the reasons for, and benefits of, the shift to

DoD recognizes the importance of communication and the need to articulate compelling reasons for its employees to adopt pay-for-performance. In addition to the NSPS information presented in the Federal Register, the Department has established a NSPS website. This website includes a comprehensive list of training materials, fact sheets, and answers to frequently asked questions along with implementation news and updates.

For employees, however, DoD's efforts to communicate the need to shift to pay-for-performance could have potential to regress into an "information-pull" rather than an "information-push" effort. While data detailing DoD's NSPS and pay-for-performance is available in various media forms (online, pamphlets, etc.), employees must seek it and sort through it to establish and evaluate their perceived motivating or dissuading attributes of pay-for-performance. To avoid this pitfall and keep the GAO tenet of "effectively communicating pay-for-performance," DoD leadership should actively "push" the benefits of—and the need to shift to—pay-for-performance down to its employees. Based on the research and analysis of those who have successfully implemented pay-for-performance plans, doing so will help to avoid the biggest downfall private industry encounters: lack of clear communication of employee and employer goals and requirements related to the performance plan. Corporate experience reveals that communicating "the need" (to shift to performance pay) gets tougher as your firm gets bigger. One could assume that this should also be a critical consideration for the Department of Defense.

In some cases, this extends beyond what one might assume to be effective communication. In fact, organizations with successful pay-for-performance plans cite the need to "over-communicate" to achieve the best results. Their observations and experiences reveal that a well-understood reward strategy can branch out to create a level of employee engagement that results in tangible benefits to the organization.

The most important thing leaders can do is to articulate clear, compelling reasons for shifting from the General Schedule system to pay-for-performance.

unchecked, create impetus for them to seek other employment if they are unprepared to face the change to a culture of performance-based pay. Alternatively, one could reasonably expect that potential DoD new-hires will exhibit less risk adverse characteristics and more potential to respond positively to pay-for-performance. DoD managers should prepare to effectively respond to these behaviors.

Organizational Commitment

A precursor to the risk aversion study (also published in the *Journal of Occupational and Organizational Psychology*) highlighted the importance of recognizing employees' traits—attitudes in this case—when changing to a performance-based pay culture. The particular attitude studied, examined employees relative to their propensity to exhibit commitment to their organization. The study refers to this trait as Organizational Citizenship Behavior (OCB). For employees who were less inclined to exhibit OCB, pay-for-performance acted as a disincentive. The stronger such employees perceived the linkage of pay to performance; the less likely they were to engage in OCB. In contrast, pay-for-

pay-for-performance. A management team that is aware of employees' relative commitment to their organization will be more able to recognize and effectively react to employees reactions to pay-for-performance implementation. Some employees will chose to opt out and seek other employment or retire, some will thrive, and some will enter a watchful waiting mode before they make employment decisions. Managers' understanding of employees' behaviors and reactions to pay-for-performance will increase their ability to retain and optimize their workforce during the pay-for-performance transition period.

Communication

The previously cited studies revealed: the most important thing leaders can do is to articulate clear, compelling reasons for shifting from the GS system to pay-for-performance. In its January 2004, review of Human Capital, GAO also established communication as a key factor in ensuring successful implementation of performance-based pay systems. To that end, continuous, effective communication offers another key element to ensure the successful shift to pay-for-performance.

Such strategies require continual, consistent managerial involvement because often times employees' perception of effective communication of organizational programs differs widely from that of their employers. As evidence, 70% of employers say they do at least a fair job of communicating business strategies to employees, while only 38% of employees say that information needed to accomplish their work is widely shared (Jamie Hale and George Bailey, "Seven Dimensions of Successful Reward Plans," Compensation and Benefits Review, July 1998). These results should provide an incentive for DoD to err on the side of conservatism when they self-evaluate their efforts to "get the word out" on the NSPS and pay-for-performance by remembering to "over-communicate."

To do this, DoD leaders must be the primary communicators and implementers of the plan. Leaders must champion the transition by example, know the strategic goals associated with pay-for-performance, identify with the DoD human resource community's rewards philosophy, and understand the responsibilities of the pay-for-performance program and the programs' details. It is of paramount importance that DoD managers do all this while communicating truthfully, candidly, and while being willingly held accountable if they are to optimize their potential to successfully implement pay-for-performance. In this regard, the scope of the requirements on DoD leadership cannot be underestimated. Since the communication effort must be "led from the top," the success for pay-for-performance will be a direct function of the amount and quality of training provided to managers. Managers must be trained to effectively communicate the need to shift to the NSPS and to manage the cultural changes that accompany its implementation. Such efforts will ensure employees have a clear understanding of what pay-for-performance means for them and their organization.

Trust

Research in Utility Analysis (which provides an estimation of the dollar value of benefits generated by an intervention based on the improvement it produces in worker productivity) reveals that pay-for-performance plans—especially aggressive ones that identify and make clear reward and disincentive distinctions between their lowest and highest performing employees—result in tangible benefits to organizations. However, implementation of performance based pay also results in some negative consequences. Peer reviewed articles on pay for performance suggest these negative consequences and the ability to maximize the benefits of performance-based pay are best managed by effective communication and training plans that enable employees to understand the dynamics of how their efforts combine to meet organizational goals. Effective communication plays a key mitigating role, this time, as a precipitant to management's ability to gain employee trust.

Prior to the NSPS, the comfort zone of trust among DoD employees relied largely upon the consistency of the GS pay system. The performance pay culture, however, requires a different managerial tact. To gain trust, DoD managers must establish a culture in which fairness is defined through its inconsistency. Depending on their capabilities and job requirements, not all employees will be rated under the same guidelines or expectations. This will require DoD managers to adopt practices that promote the concept that it is not fair to treat everyone as equals. The wide-ranging composition of the DoD employee pool virtually guarantees that employees will have different motivational "trigger points," skills, and abilities, and they will make different contributions to their organizations. Such diversity indicates a call for active managerial involvement both to help establish employee requirements and then hold them responsible for meeting those requirements.

One way to start movement in this direction is to establish an environment of universal accountability. This may sound

counterintuitive, as it invokes perceptions of micro-management and coercive oversight. However, while they should consistently act to avoid the possibility of such perceptions, it is imperative that managers at all levels collect and use negative data. If managers are negligent in recognizing failure, neither they, nor their employees will be equipped to fix failure. DoD managers must have the courage and willpower to hold employees accountable for the achievement of their mutually agreed upon performance related goals.

An additional requisite to foster an environment of trust involves ensuring employees believe that pay-for-performance will recognize them for their contributions and fairly compensate them for having met the goals associated with those contributions. The NSPS effectively places employees' job destiny in their hands. Leadership must, therefore, implement the NSPS in a way that eliminates any concern over the question, "If I do a good job, will anyone know?" To ensure this occurs, experts in the field believe the ultimate determinate of trust—as it relates to receiving just compensation to match contributions—rests in the level of transparency of the details of executing pay-for-performance. According to David M. Walker, head of the Government Accountability Office, "Any plan should clearly delineate what you as an employee are required to do, what 'meets expectations,' what an 'outstanding' or 'role model' or 'exceeds,' is, and what 'below expected' is."

Clearly, the head of GAO places transparency of the NSPS and its pay-for-performance component at the top of his list of necessary requirements to counter any predisposition to render accusations of cronyism. John Gage, president of the American Federation of Government Employees, also cites the importance of transparency. He appears to believe that there exists a great potential for continued absence of transparency. His statements reveal an opinion that management must counter the potential for an absence of reasonable transparency—there must not be

any instance where measurement criteria items related to the evaluation of employee performance are available to employers to see but not employees. Otherwise, as the Office of Management and Budget's Mr. Johnson states, employees will not be able to maximize their contributions because they

their staffs. Cultural change will be hard to achieve. However, as the research indicates, employees will perform if held accountable. Implemented correctly, any "pain" experienced during the change to performance-based pay will work out for the betterment of the organization.

Effective communication and building trust are also key elements of a successful performance pay implementation.

will not know what is most—or least—valued. The remarks of these experts lead to the conclusion that management cannot possibly expect optimal employee contribution to the "team" if they do not know the rules of the "game." Indisputably, rational levels of transparency associated with pay-for-performance related goals, requirements, and evaluations are vital and must be preserved to maintain employee trust. DoD leadership should champion and all levels of DoD management should ensure all aspects related to the execution of the NSPS's pay-for-performance contain a prudent level of transparency. Otherwise, employee trust is compromised and the full benefits of performance-based pay will be unattainable.

Conclusion

While there are many other considerations facing DoD managers as they begin to execute the NSPS and its performance pay component, this article presented those grounded in peer-reviewed research. It is hoped that by focusing on the key considerations related to cultural change, this paper might serve as a resource to help DoD managers be capably armed to optimize their implementation efforts and the resultant composition, potential, and performance of

Effective communication and building trust are also key elements of a successful performance pay implementation. The practices related to the notion that managers should "over-communicate" is especially important because it will help employees internalize the pay-for-performance culture and diminish their fears. It will also assist with management's efforts to maintain the concept of transparency, help employees understand that fairness does not mean treating all as equals, and assist management's efforts to develop an environment of trust. When integrated, the practices related to these concepts—cultural change, communication, and trust provide the principle elements of a sound optimization strategy to implement the NSPS and performance-based-pay.

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